May 25, 2010

David J. Rosen
Legislative Budget and Finance Officer
State House Annex
P.O. Box 068
Trenton, New Jersey 08625-0068

Dear Mr. Rosen:

During the Department of Treasury’s Budget hearing before the Assembly Budget Committee on April 21, 2010, Lee A. Solomon, President of the New Jersey Board of Public Utilities (“BPU”) indicated that he would provide additional information to the members of the committee. This letter responds to the inquires from committee members regarding consolidating the BPU operations in Trenton, and the financial impact of prevailing wage requirements on projects that receive financial assistance from the BPU.

Preliminary Cost Savings Analysis Office Relocation from Newark to Trenton

The BPU intends to consolidate BPU’s operations in its Trenton office. The process is in the early stage. The data used for estimating various moving costs is the most current for establishing a “cost per square foot” for each relocation cost category, as well as actual cost per square foot for occupied space in Newark and Trenton.

It is expected that there will be a net benefit to Trenton since the State employee base in that city will increase. In Newark, it is anticipated that the space that the BPU will vacate will be sublet by other public agencies who have additional needs, or whose leases are expiring. Therefore there is not expected to be a net loss to Newark occasioned by the move to Trenton.

The following represents the results of a preliminary cost analysis for relocating the BPU Newark offices to a location in Trenton:

- Ratepayers are billed for 89,971 sq. ft. of total space in Newark at $26.43 per sq. ft. plus an extra $3 to $4 per sq. ft. for Operation & Maintenance (O & M). Total estimated annual cost per sq. ft. equals between $29.43 and $30.43.
If the agency remains in the current Newark space, the facility leasing costs to the ratepayer will be at least $2,648,000 and possibly as high as $2,738,000 in FY 2011.

Approximately 20% of billable Newark space is identified as either “unused or common area” space.

- Approximately 17,000 sq. ft. of billable space in Newark is identified as “unused or common area.” The ratepayer’s cost for wasted space at the Newark location is in excess of $500,000 annually.

- The BPU Trenton office currently occupies 7,363 sq. ft. at a loaded rate of $20.67 per sq. ft. Relocation to Trenton would require an additional 33,637 sq. ft. of space (41,000 total) to accommodate between 200 to 210 total staff.

- Currently, the leased space in Trenton costs the ratepayer $152,193 annually.
  - Relocating the entire staff to Trenton is both cost effective and allows for economies of scale to be realized.
  - The agency can share conference room space with the Civil Service Commission further eliminating the leasing cost for “unused or common area” space. Other state facilities are also available in the Trenton area for board hearings, etc., further reducing the need for wasted “common area” space.
  - The Trenton facility is centrally located and assessable to mass transit transportation.

- Relocating from Newark to Trenton significantly reduces the sq. ft. space requirements as well as overall leasing costs by $ 2.042 million annually after the first year.
  - The agency currently leases a total of 97,334 sq. ft. of space between both offices.
    - Relocating to Trenton reduces the total space requirements by 57,000 sq. ft. (a reduction of 59%).
  - Total required leasing space after the relocation will decrease from 97,334 sq. ft currently occupied for both locations to approximately 41,000 sq. ft.
    - Total annual leasing expense will be reduced from $2.89 million to $847,000 (a 69% reduction).
  - Five year savings are projected to be in excess of $8.7 million even after deducting one-time moving expenses of approximately $1.45 million. It must be noted that first year moving costs may vary due to the preliminary nature of the process at this time.

**Cost-Benefit Analysis**

P.L. 2009, c.89 (C.48:2-29.47), requires that the prevailing wage rate be paid to workers employed in the performance of any construction undertaken in connection with financial assistance provided by the BPU. The Board’s preliminary analysis indicates that costs will be increased approximately forty percent for projects undertaken with financial assistance provided from the BPU, where prevailing wage requirements apply; however, the actual impact of the requirements could vary since prevailing wages have always been applicable to the Division of Property Management and Construction’s (DPMC’s) construction contracts. Therefore, no specific impact data is available for comparison.
purposes. The following chart is a recent example of the comparison between pre-
prevailing wage costs, and post-prevailing wage costs in the area of janitorial services.

<table>
<thead>
<tr>
<th>Janitorial Contracts</th>
<th>FPWR Projected Increase</th>
<th>FY09 Annual Expenditures</th>
<th>Estimated Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>T2244     Hamilton State Police Complex</td>
<td>79%</td>
<td>$ 309,994.00</td>
<td>$ 244,895.26</td>
</tr>
<tr>
<td>T1255     State House Complex</td>
<td>82%</td>
<td>$ 646,386.00</td>
<td>$ 530,036.52</td>
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<tr>
<td>T1449     State Owned Buildings (Trenton)</td>
<td>57%</td>
<td>$ 1,570,035.00</td>
<td>$ 894,919.95</td>
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<tr>
<td>T0688     Lease Facilities Southern/Central Regions</td>
<td>9%</td>
<td>$ 843,297.00</td>
<td>$ 75,896.73</td>
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<tr>
<th>Unarmed Security Guards Services</th>
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<tr>
<td>T0900   Three Regions (Statewide)</td>
<td>61%</td>
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<tr>
<th>Armed Security Guard Services</th>
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<tr>
<td>T1885  Office of Administrative Law</td>
<td>24%</td>
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I trust you will find this information helpful. If you have any further questions, 
please feel free to contact me at (609) 777-3307 (office), (973) 204-3591 (cell), or
Kristina.miller@bpu.state.nj.us.

Sincerely,

Kristina A. Miller
Special Counsel to President Lee A. Solomon

c Louis D. Greenwald, Chairman Assembly Budget Committee